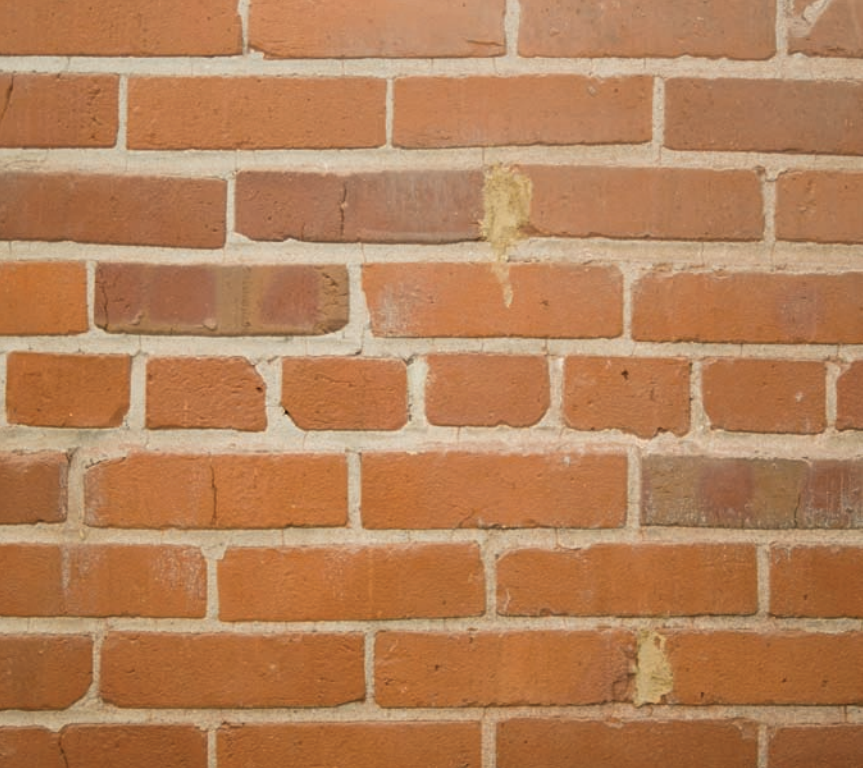


PROSPERITY THROUGH PRESERVATION

VIRGINIA'S
HISTORIC REHABILITATION
TAX CREDIT PROGRAM



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A SUCCESSFUL PROGRAM

Virginia's Historic Rehabilitation Tax Credit Program benefits Virginia communities in multiple ways. Since its inception in 1997, the program has spurred private investment of approximately \$1.5 billion in the rehabilitation of more than 1,200 landmark buildings. This investment in turn has generated an economic impact of nearly \$1.6 billion in the Commonwealth and created more than 10,700 jobs and \$444 million in associated wages and salaries.

Other program dividends enhance quality of life and social capital by preserving and restoring community fabric; inspiring people toward reviving historic districts and reclaiming their community's legacy; promoting heritage tourism and educational resources; increasing a broader range of housing stock; and supporting smart-growth and sustainable development through the efficient reuse of existing buildings and infrastructure.

The state tax-credit program contributes significantly to making Virginia a desirable and vibrant place in which to live, work, and play. That's why the Commonwealth continues to attract new businesses, residents, and visitors each year.

\$1,000,000 spent rehabilitating Virginia historic buildings means:

-  **5.1 jobs in the construction sector**
- + 6.2 jobs in other sectors**
-  **\$467,000 in household earnings
(wages and benefits)**

RICHMOND, VIRGINIA
CRAWFORD MANUFACTURING
COMPANY BUILDING

The Crawford Manufacturing Company Building at 17 East 2nd Street, in Richmond, was constructed in 1915. Located within the Manchester Industrial Historic District, the building is one of several to be rehabilitated into office space thanks to the availability of tax credits.





VIRGINIA'S HISTORIC REHABILITATION TAX CREDIT

Managed by the Department of Historic Resources, Virginia's Historic Rehabilitation Tax Credit Program allows property owners to receive a state tax credit of 25 percent of eligible expenses for approved rehabilitation work on certified historic structures. The work must meet the Secretary of Interior's *Standards for Rehabilitation*. The credits may be earned for the rehabilitation of owner-occupied and income-producing properties.

In 2007, Virginia Commonwealth University's Center for Public Policy in partnership with the Department of Historic Resources analyzed the impact of the tax credit program on the economy of the Commonwealth of Virginia from 1997 through 2006.

SURVEY OF PROGRAM PARTICIPANTS

VCU's Center for Public Policy surveyed all the property owners including developers, businessmen, and homeowners who received state tax credits for rehabilitation projects completed and approved by the Department of Historic Resources in 2005 and 2006.

- **93% of the respondents indicated that state tax credits were *essential* to their decision to undertake an historic rehabilitation project.**
- **65.5% of the respondents indicated that they would *not* have rehabilitated their historic property without state tax credit assistance.¹**

¹ 58 percent of the survey respondents said that they would not have rehabilitated the property without state tax credit assistance. These are the projects for which the tax credits were essential; that is, these expenditures would not have occurred without the state tax credit program. In addition, 15 percent of the respondents said that they were unsure whether they would have gone ahead with the

rehabilitation project without the state tax credits. Assuming that half of these respondents would not have undertaken the project without tax assistance, we have a total of 65.5 percent (58 percent plus 7.5 percent, half of 15 percent) of respondents who relied upon the state tax credit program to undertake the rehabilitation work.

HANOVER, VIRGINIA
HANOVER TAVERN

Hanover Tavern, a part of the Hanover County Court House Historic District, was once owned by John Shelton, Patrick Henry's father-in-law. Currently functioning as a restaurant and theater, it remains one of the most picturesque eighteenth-century taverns in Virginia.





VCU's survey results were applied to the analysis of a 10-year total of \$1.454 billion² in private expenditures for rehabilitation tax credit projects. VCU determined that \$952 million represents the amount leveraged by the state tax credit—those dollars tied to projects for which state tax credits were an essential driving force.

ECONOMIC IMPACT

Among the study's conclusions, expenditures of \$952 million created an estimated

- \$ **\$1,595 billion in total economic impact to Virginia**
- 👤 **10,769 full and part-time jobs from direct employment and indirect employment in other sectors of the economy**
- 💵 **\$444 million in labor income (wages and salaries)**
- +
- \$46 million in state tax revenue**

Using the expenditure data, the overall economic effects of the tax credit program were estimated through IMPLANPro™ computer modeling software³—including the program’s direct impact on employment in Virginia, plus additional “multiplier effects” that these expenditures had on other local industries. The results were adjusted for inflation to reflect 2006 dollars.

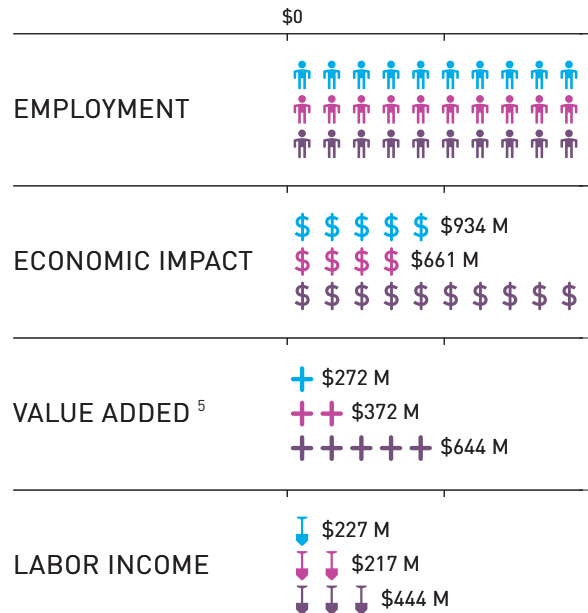
² Inflation adjustments made using the “Consumer Price Index for All Urban Consumers” (CPI-U) from the U.S. Bureau of Labor Statistics.

³ IMPLAN (Impact Analysis for Planning) was developed in 1979 by the United States Department of Agriculture, Forest Service in cooperation with the Federal Emergency Management Agency and the United States

Department of the Interior, Bureau of Land Management. The IMPLAN program originally required a mainframe computer system, but has progressed into a program that runs on a standard microcomputer. The IMPLANPro™ software was created in 1996 and is maintained and updated by the Minnesota IMPLAN Group, Inc.

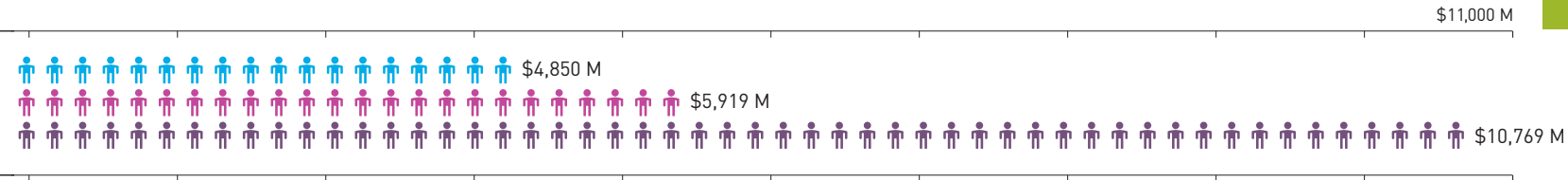
TOTAL ECONOMIC IMPACT OF THE HISTORIC REHABILITATION TAX CREDIT PROGRAM 1997–2006⁴

DIRECT IMPACT
ADDITIONAL IMPACT
TOTAL IMPACT



⁴VCU Center for Public Policy estimates developed using IMPLANPro. Annual CEW data obtained from the Virginia Employment Commission. Inflation adjustments made using the “Consumer Price Index for All Urban Consumers” (CPI-U) from the U.S. Bureau of Labor Statistics.

⁵In addition to personal income, this includes income from rents, dividends, profits, royalties, interest, and indirect business taxes paid by companies; this can be interpreted as the industry’s contribution to a state’s Gross Domestic Product (GDP)—i.e. the value of all goods and services produced within the borders of a state.



\$1,595 M

STAUNTON, VIRGINIA
STONEWALL JACKSON HOTEL

Stonewall Jackson Hotel, in Staunton, was originally constructed in 1925. It has been listed on the Virginia Landmarks Register and the National Register of Historic Places as a part of the Beverley Historic District since 1982. Rehabilitated to its former glory, the Stonewall Jackson Hotel again serves Staunton's visitors with upscale overnight accommodations.





DATA ON THE TAX CREDIT PROGRAM

The Department of Historic Resources provided data for each year of the 10-year life of the tax credit program (1997 through 2006). Data included the number of projects completed, the total amount of qualified rehabilitation expenditures (i.e., the amount of money spent by developers and individuals on the rehabilitation work), and the state tax credits awarded for the project.

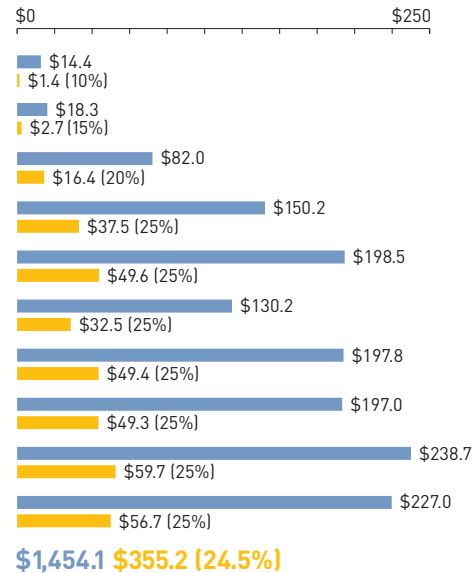
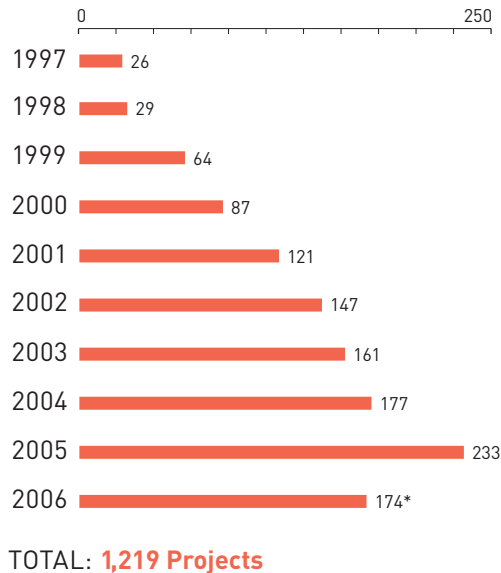
HISTORIC REHABILITATION TAX CREDIT PROGRAM DATA

DOLLAR VALUES IN
MILLIONS OF 2006 DOLLARS

PROJECTS COMPLETED
REHABILITATION EXPENDITURES
STATE TAX CREDITS AWARDED

Source: Virginia Department of Historic Resources

* The number for 2006 will increase; at the time of VCU's study, the deadline for certifying 2006 projects remained open.



ROANOKE, VIRGINIA
THE STATE AND CITY BUILDING

Originally built in 1910 for commercial purposes, the State and City Building in the Roanoke Downtown Historic District still retains its traditional retail space and function on the first floor; however, following a \$4.7 million rehabilitation, the upper floors have been adapted for residential units.

Roanoke Star Image © Kevin McDonnell





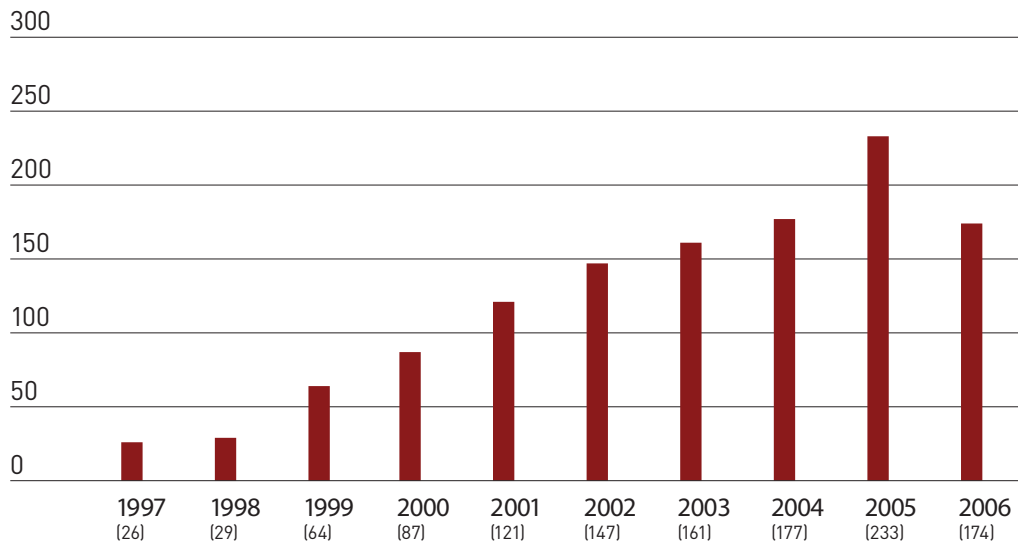
GROWTH OF THE PROGRAM

Over the lifetime of the program, to date, state tax credits have been awarded for 1,219 qualified projects. These projects were responsible for **total expenditures of approximately \$1.5 billion** and awards of over \$355 million in state tax credits.⁶ The percentage of eligible rehabilitation expenses is 25 percent, after the program's initial start up during which credits were 10, 15, and 20 percent in the first three years, respectively.

⁶ Inflation adjustments made using the "Consumer Price Index for All Urban Consumers" (CPI-U) from the U.S. Bureau of Labor Statistics.

NUMBER OF TAX CREDIT PROJECTS 1997-2006

Source: Virginia Department of Historic Resources



SOUTH BOSTON, VIRGINIA
THE PRIZERY

Originally built by the R. J. Reynolds Tobacco Company, The Prizery, in South Boston, was constructed in the early 1900s for the purpose of packing (or “prizing”) and storing tobacco. It has recently been rehabilitated for use as a community arts center for South Boston and Halifax County.

Sculpture and image © Bob Cage





A PROGRAM THAT BENEFITS ALL OF VIRGINIA

Historic rehabilitation tax credit projects take place throughout the Commonwealth. Since most of Virginia's population resides in Richmond, Northern Virginia, and Hampton Roads, it is not surprising that the greatest number of projects occurred in these corresponding Metropolitan Statistical Areas (MSA):

- **Richmond MSA⁷: 587 projects (48% of the total) and \$780 million of expenditures**
- **Northern Virginia MSA⁸: 181 projects (15% of the total) and \$68 million of expenditures**
- **Hampton Roads MSA⁹: 155 projects (13% of total projects) and \$171 million of expenditures**

Significantly, **the next largest number of projects** (117, or almost 10 percent of the total) **occurred in rural localities** that fall outside a designated Metropolitan Statistical Area, in “Non-Metro Areas.” These projects, which had total expenditures of approximately \$123 million, were dispersed throughout the state.













⁷ The Richmond MSA includes the cities of Colonial Heights, Hopewell, Petersburg, and Richmond, along with counties of Amelia, Caroline, Charles City, Chesterfield, Cumberland, Dinwiddie, Goochland, Hanover, Henrico, King and Queen, King William, Louisa, New Kent, Powhatan, Prince George, and Sussex.

⁸ The Northern Virginia MSA includes the Virginia portion of the “Washington-Arlington-Alexandria, DC-VA-MD-WV” MSA which includes the cities of Alexandria, Fairfax, Falls Church, Fredericksburg, Manassas, and Manassas Park, as well as the counties of Arlington, Clarke, Fairfax, Fauquier, Loudoun, Prince William, Spotsylvania, Stafford, and Warren.

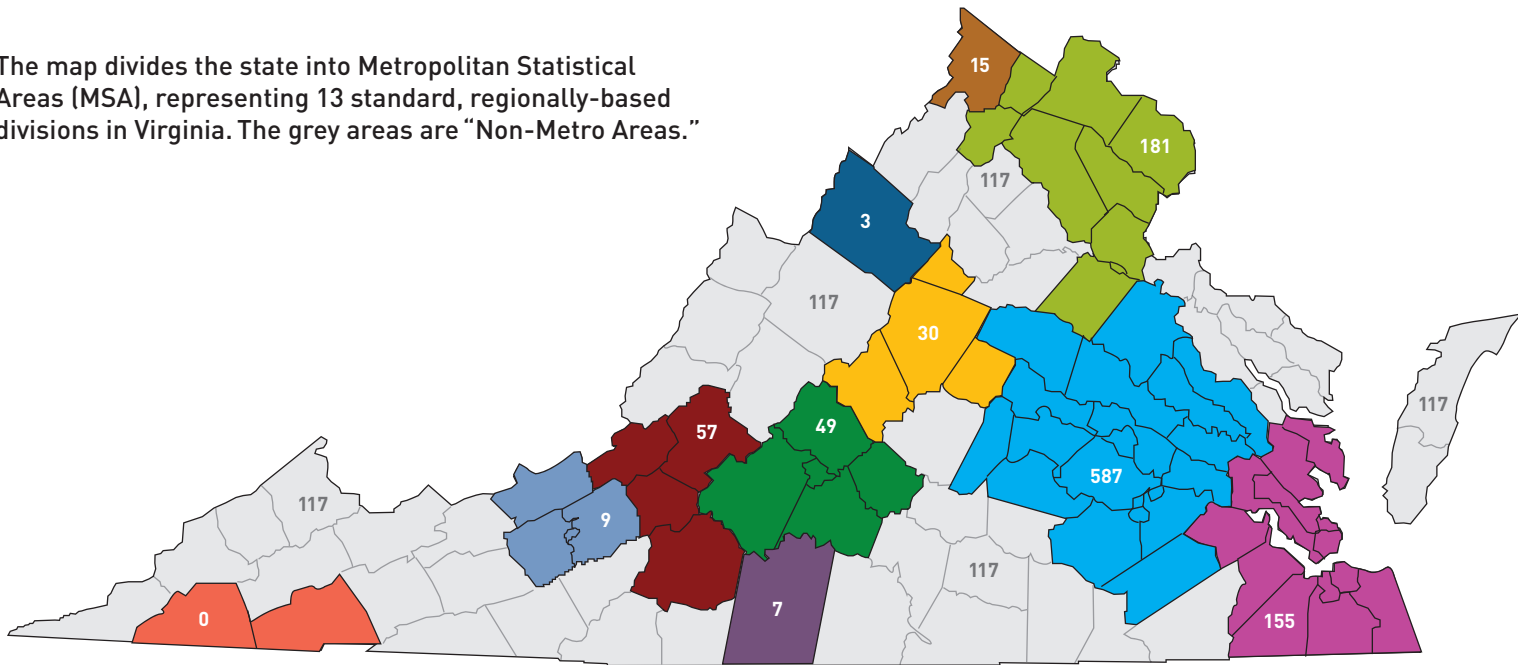
⁹ The Hampton Roads MSA includes the Virginia portion of the “Virginia Beach-Norfolk-Newport News, VA-NC” MSA which includes the cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg, and the counties of Gloucester, Isle of Wight, James City, Mathews, Surry, and York.

COMMONWEALTH OF VIRGINIA

MSA REGIONS AND NUMBERS OF REHABILITATION PROJECTS, 1997–2006

	Blacksburg-Christiansburg-Radford MSA = 9
	Bristol MSA = 0
	Charlottesville MSA = 30
	Danville MSA = 7
	Hampton Roads MSA = 155
	Harrisonburg MSA = 3
	Lynchburg MSA = 49
	Non-Metro Areas MSA = 117
	Northern Virginia MSA = 181
	Richmond MSA = 587
	Roanoke MSA = 57
	Winchester MSA = 15

The map divides the state into Metropolitan Statistical Areas (MSA), representing 13 standard, regionally-based divisions in Virginia. The grey areas are “Non-Metro Areas.”



RICHMOND, VIRGINIA
ROBERT E. LEE SCHOOL

Part of the West of Boulevard Historic District, in Richmond, the Robert E. Lee Elementary School was constructed in 1919 to serve that neighborhood's rapidly growing population. It was designed in the Colonial Revival style by city school architect Charles M. Robinson, and was rehabilitated into condominiums.





HISTORIC REHABILITATION TAX CREDIT PROGRAM

DOLLAR VALUES IN
MILLIONS OF 2006 DOLLARS

1996–2006, BY METROPOLITAN
STATISTICAL AREAS

Blacksburg, Christiansburg, Radford, VA

Bristol, VA

Charlottesville, VA

Danville, VA

Harrisonburg, VA

Kingsport, Bristol, TN, VA
(Virginia Portion)

Lynchburg, VA

Richmond, VA

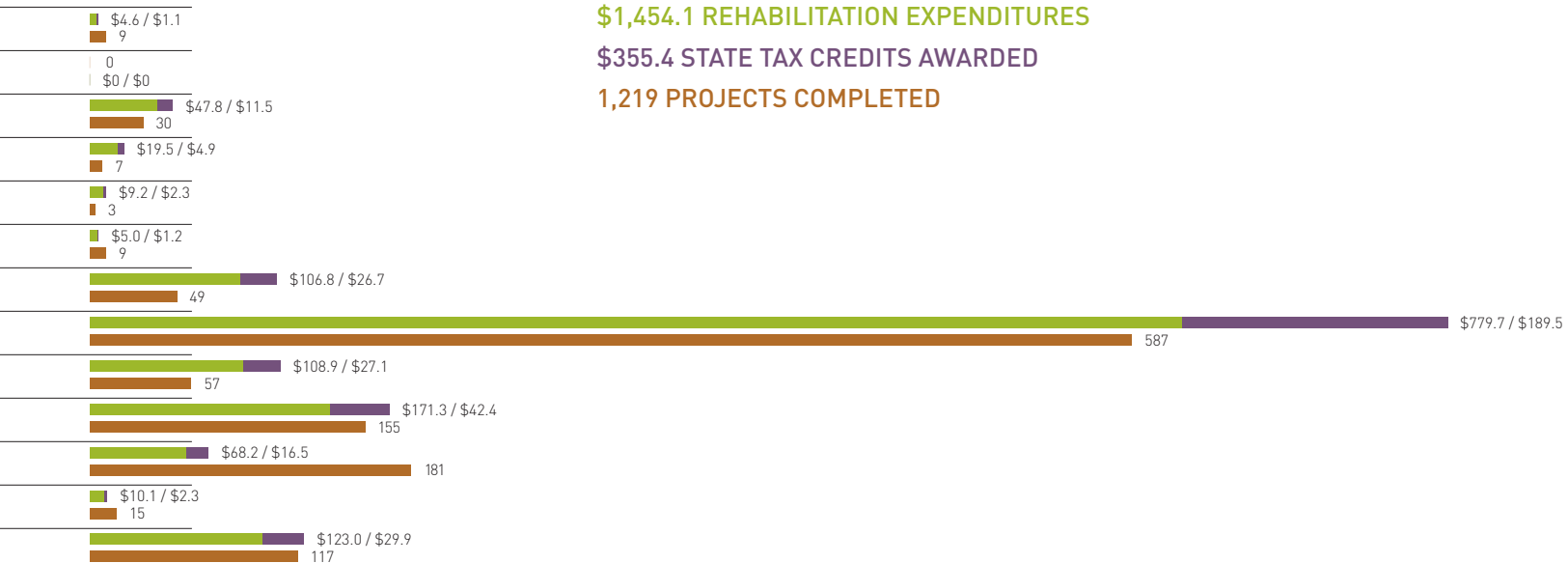
Roanoke, VA

Virginia Beach, Norfolk, Newport News, VA, NC
(Virginia Portion)

Washington, Arlington, Alexandria, DC, VA, MD, WV
(Virginia Portion)

Winchester, VA, WV
(Virginia Portion)

Non-Metro Areas



THE PROGRAM'S INTANGIBLE BENEFITS

Improved and affordable housing stock The rehabilitation or adaptive reuse of former factories, warehouses, and other buildings converted into apartments or condominiums in many of the more than 450 historic districts in Virginia has led to the increased availability of housing, including low- and moderate-income housing.

Urban revitalization The rehabilitation of historic buildings through the use of state tax credits represents one of the most potent tools available for urban revitalization and inner-city redevelopment.

Open space preservation Rehabilitation of historic buildings for new uses reduces sprawl and the destruction of open space and agricultural resources.

Efficient development Rehabilitation of historic buildings makes use of existing infrastructure reducing the need for taxpayer dollars to construct new roads,

water and sewer lines and gas, electrical, and telephone lines. In addition, especially if demolition costs are figured in, the cost of rehabilitation is often less than new construction, resulting in more efficient development.

Reduced automobile dependence Historic districts are typically located in or adjacent to downtown areas with public transportation. By locating business, commercial, and residential uses in a central area, redevelopment projects reduce dependence on automobiles, thereby conserving energy resources, enhancing air quality, reducing traffic congestion, and often improving quality of life for local residents.

Conservation of resources Because rehabilitation projects require fewer new materials, and fewer energy resources for transportation of construction materials, rehabilitation is a more environmentally friendly development approach than new construction.

LEESBURG, VIRGINIA
LAUREL BRIGADE INN

Constructed in the 1820s, the Laurel Brigade Inn gets its name from a local Confederate unit comprised mainly of men from the Leesburg area. Despite changes in ownership, it still performs its original function as an inn and restaurant.





OTHER ECONOMIC BENEFITS

Reduced pressure on landfills A growing concern for Virginia localities is the high cost, both economic and environmental, of solid waste disposal. By preventing demolitions, rehabilitation projects significantly reduce pressure on landfills.

Enhanced local revenues Rehabilitation activity, and the increased property value that results, enhances local property tax revenue. In Virginia, state tax revenues increased by \$46 million because of the rehabilitation of historic properties between 1997 and 2006.

Business and retail activity Rehabilitation of historic buildings in downtown areas results in enhanced retail and business activity.

Catalyst effect Rehabilitation activity serves as a catalyst for additional economic development. The rehabilitation of a single prominent building is in some cases sufficient to stimulate the revitalization of an entire area. In other cases, a series of smaller rehabilitations can ultimately result in a critical mass necessary to bring a neighborhood back to prosperity. Examples abound of historic neighborhoods that were once unfashionable, depressed, and unsafe but are now among the most vibrant and desirable communities in the Commonwealth.

Tourism Through the use of the rehabilitation tax credits, heritage destination attractions are supported by revitalized historic neighborhoods where visitors can stay in bed-and-breakfast inns, shop in restored commercial areas, dine in creatively adapted buildings, and stroll through living neighborhoods showcasing a wealth of historic architecture and settlement patterns.

PORTSMOUTH, VIRGINIA
THE CIRCLE RESTAURANT

As part of a post-World War II trend towards automobile-friendly commerce, the Circle Restaurant in Portsmouth was designed with curbside dining in mind. The Moderne-style building was constructed in 1947, and was designed by architect Dorothy Morgan.





THE *Circle* RESTAURANT

CONCLUSION **Virginia's Historic Rehabilitation Tax Credit Program is a powerful investment in Virginia. It creates new jobs, increases local revenues, enhances quality of life, and it reinvests peoples' pride in their communities and in a renewed sense of stewardship.**

The full report of The Economic Impact of Virginia's Historic Rehabilitation Tax Credit Program is available in PDF format on the Department of Historic Resources website: www.dhr.virginia.gov

PETERSBURG, VIRGINIA
THE GLASS HOUSE
(INTEROS DESIGN BUILDING)

Located within the Petersburg Old Towne Historic District, The Glass House was built around 1840 as a warehouse. Its unique steel windows and trolley beams, inserted in the 1920s, set it apart from the other similar industrial buildings in the area. It has been rehabilitated to provide commercial offices and gallery space as well as a residential unit.









DEPARTMENT OF HISTORIC RESOURCES